

Approved For Release

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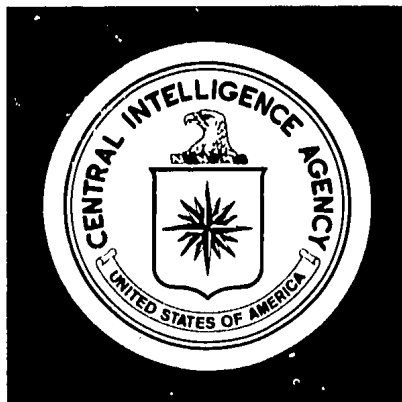
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Economic Intelligence Weekly

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CIA No. 8231/74
4 December 1974

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ECONOMIC INTELLIGENCE WEEKLY

4 December 1974

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Overview

Slow or Negative Economic Growth in the major foreign industrial countries has resulted in a sharp upsurge in unemployment in recent months. Wage demands nonetheless have accelerated as labor seeks to compensate for higher prices and reduced work hours. With labor costs increasing sharply, the outlook for ending double-digit inflation before mid-1975 is dim.

October Trade Returns of the industrial nations contained few surprises. Japan recorded its largest monthly surplus of the year, about \$840 million. The West German surplus, still a hefty \$1.6 billion, continued a decline evident since the second quarter. The UK non-oil trade deficit widened slightly, boosting the October deficit to \$1.0 billion and dampening hopes for an early turnaround. Canada's \$60 million trade deficit reflected the deterioration in export volume under way for the past several months.

Pressure on World Wheat Supplies continues to mount.

- The International Wheat Council estimated last week that world wheat production would be 5% less than the record 1973 crop of 342 million tons. A large increase in wheat imports by Asia was predicted for 1974 – up 4.5 million tons over the 24 million tons of last year.

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- Canadian grain exports have been halted again – this time by a week-old strike by grain inspectors. Exports may be set back further at the end of this month when a west coast longshoremen's contract expires.

Leading Grain Exporters agreed last week in Rome that sufficient grain was available to ship the 7.5 million tons needed immediately by LDCs. The exporters seemed willing to provide one-fourth to one-third of this amount through their food aid programs; the larger part will have to be financed either by the LDCs themselves or by third parties. UN officials meeting today will discuss these financial requirements.

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Articles

BONN WEIGHS REFLATION

As Chancellor Schmidt comes to Washington, a debate over economic policy continues to rage within the West German government. We think both foreign and domestic pressures will force Bonn to adopt moderately reflationary policies, perhaps even this month.

The Domestic Scene

Rapidly mounting unemployment and the specter of government losses in regional elections next spring are providing impetus for a policy shift. Schmidt, his Chancellery staff, and Finance Minister Apel believe that achieving even slow growth in 1975 will require stimulative measures in addition to previously scheduled tax relief. The need for a hard line against inflation nevertheless still dominates thinking in several influential quarters, including the Bundesbank, the Economics Ministry, and the independent Council of Economic Experts.

Economic growth has slowed progressively for six quarters. The 1% rise in GNP expected for 1974 is attributable solely to foreign demand for West German steel, chemicals, and machinery. Despite the recent weakening in foreign markets, growth in export volume will amount to about 12% this year and will help push foreign sales close to \$90 billion. Domestic demand has continued to slump throughout the year and now stands 4% below the early 1973 level.

At the same time, Bonn has maintained an enviable record on inflation. Consumer prices were only 7% above the year-earlier level in October. This accomplishment has made wage demands more moderate in West Germany than elsewhere. Bonn hopes that the recent decision by steel workers to settle for a 9% raise will be imitated by other influential unions.

Schmidt's hints at belt-loosening have gained credibility in recent weeks as unemployment (not seasonally adjusted) jumped to 670,000 in October, 3% of the labor force. [redacted]

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[redacted] Bonn had previously contended that unemployment was concentrated in the automobile and construction industries, which suffer from structural problems; the necessary adjustment, it was felt, should not be prolonged through government bail-out.

Note: Comments and queries regarding the *Economic Intelligence Weekly* are welcomed. [redacted]

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One reason government officials have held back on a policy shift is uncertainty about the impact of the long-scheduled tax reform. New fiscal arrangements, which take effect on 1 January, will add an estimated \$6 billion to consumer purchasing power. They also will help boost the combined deficit for federal and provincial governments to \$20 billion - a jump of more than 50%.

The Schmidt government nonetheless is apt to announce an expansionary program soon after the EC Summit meeting on 10-11 December. [REDACTED]

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[REDACTED] The package is almost certain to contain tax breaks for private investment. It probably will also endorse the further injection of countercyclical funds into regional investment projects, even though hardliners on inflation are fighting to use the \$4 billion available in such funds to help balance the budget.

[REDACTED] At best, the Bundesbank will ease monetary policy only a little, since it believes that price pressures remain too strong for a major relaxation.

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Key International Issues

During his US visit, Chancellor Schmidt is expected to concentrate on global economic problems. He has stated, correctly, that no major bilateral problems exist. The West German position on several economic issues of mutual interest is as follows:

Energy - Bonn has subordinated its misgivings regarding the oil conference proposed by Paris to its desire to win French cooperation on energy matters. [REDACTED]

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[REDACTED] West Germany has reduced its oil consumption by 12% since last year and strongly supports international agreement on conservation. It also has been actively seeking to increase its exports to oil-producing countries. West Germany is the major US competitor in marketing industrial equipment and technology in the Arab states.

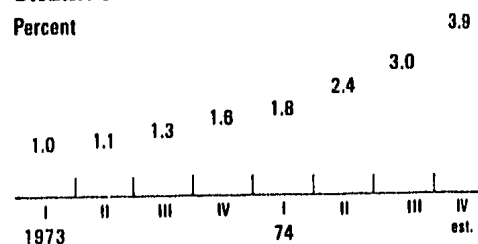
Recycling Oil Money - Bonn approves the general concept of an international recycling fund but has serious reservations about the Kissinger Plan. Finance Ministry officials believe that the plan ties aid to deficit countries too closely to oil conservation efforts and does not sufficiently stress the need for fiscal and monetary restraint. They are concerned that West Germany's share of the \$25 billion fund will be larger than budgetary constraints and domestic political considerations would allow.

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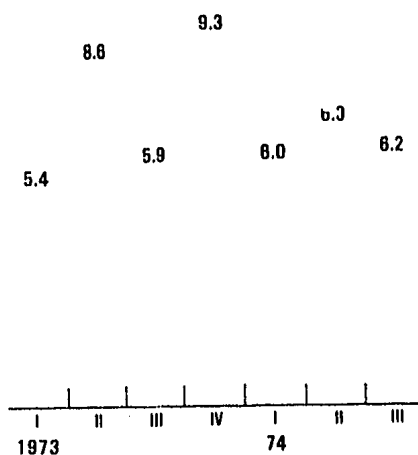
WEST GERMANY KEY ECONOMIC INDICATORS

UNEMPLOYMENT RATE¹

Percent

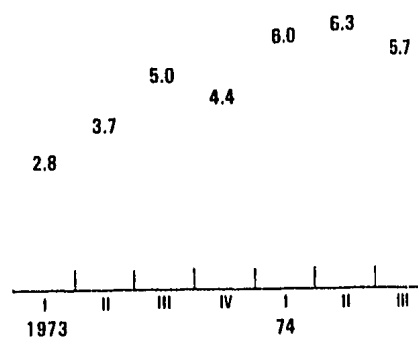


CONSUMER PRICES¹

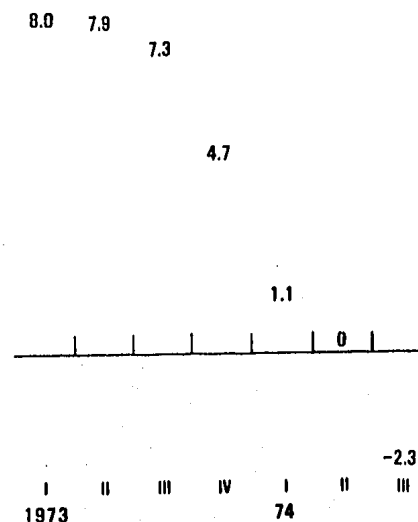
Percent change over previous quarter
at an annual rate

TRADE SURPLUS¹

Billion US \$

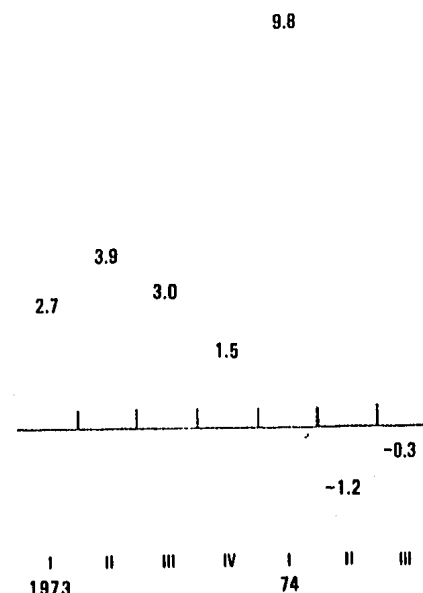


INDUSTRIAL PRODUCTION¹

Percent change over same quarter
of previous year

EXPORT VOLUME¹

Percent change over previous quarter



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¹ Seasonally adjusted.5
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For some months, Bonn has been attempting to dispel expectations that it will meekly bankroll the deficit spending of its European neighbors. It contends that eliminating deficits in non-oil trade is a national responsibility and that financing the sharp rise in oil payments is an international problem - not a West German or even a European one. Bonn has insisted on stringent conditions for bilateral loans to Italy and has been instrumental in limiting the size of Community lending facilities.

World Trade - West Germany opposes proliferation of trade restrictions as dangerous to world economic stability. It views buoyant export sales as essential to West German prosperity and is concerned about the current slowdown in world trade. Schmidt's agreement to grant Italy a \$2 billion loan last August was motivated partly by concern about the impact on West German sales if Rome further restricted imports. The Chancellor also recently cautioned Washington against strong anti-inflationary policies that would reduce US import demand.

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DEVELOPED COUNTRIES: FAT WAGE SETTLEMENTS

Hourly wages in most industrial countries are now rising at an annual rate in excess of 20%, even faster than in first half 1974. With demand slumping and layoffs only starting, little of the rise is being offset by productivity gains. The resulting jump in unit labor costs almost guarantees a continuation of double-digit inflation well into 1975.

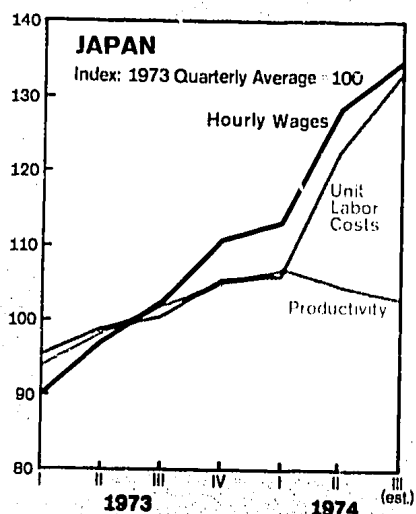
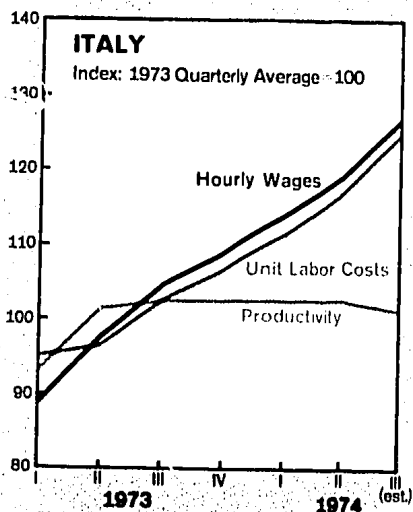
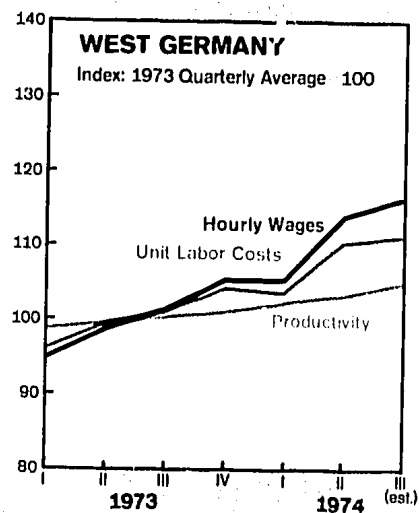
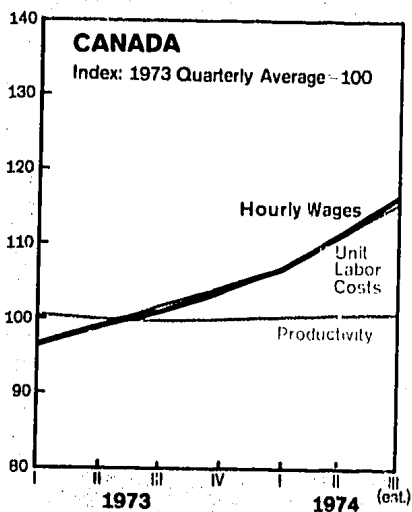
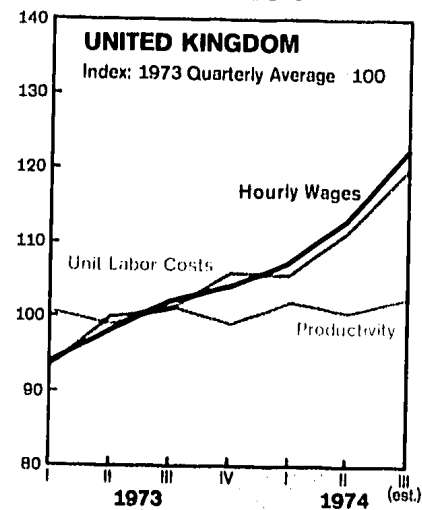
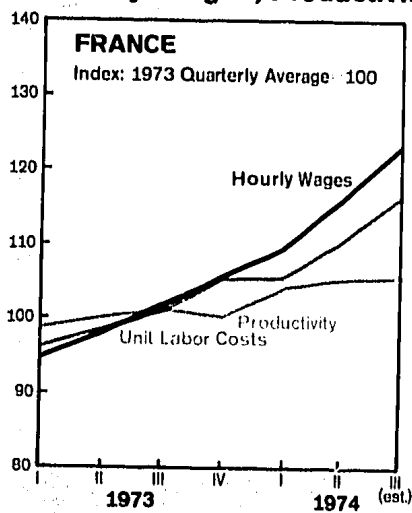
Despite record wage settlements, real earnings in Canada, the United Kingdom, France, and Italy have not increased appreciably. Rising consumer prices and shorter work hours have offset the gain in hourly wages. In Japan, labor's real earnings fell 4% during the first half of 1974 despite a 15% wage increase. In West Germany, where both wage and price increases have been comparatively moderate, workers have made small gains.

Workers, frustrated by their inability to make substantial gains in real income, have become increasingly militant.

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Developed Countries: Hourly Wages, Productivity, and Unit Labor Costs



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- In Canada a record number of work hours have been lost because of strikes. The situation will probably worsen next year when numerous contracts will be renegotiated.
- Italian unions are resorting to short general strikes to win sharp increases in cost-of-living adjustments.
- Japanese workers are laying the groundwork for next April's wage offensive with an eye toward winning a 30% pay hike.

Faced with added labor, energy, and materials costs, many firms will further reduce output and employment. For the moment, the threat of rising unemployment has done little to temper wage demands.

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DEVELOPED COUNTRIES: RISING UNEMPLOYMENT

So far in 1974, the economic slump in the six major foreign economies has caused unemployment to rise by one-third, to 4.0 million. Political repercussions will tempt some governments to stimulate economic activity or to adopt short-term expedients to shelter labor, at the expense of anti-inflation efforts. A further jump in unemployment during 1975 is probable in the absence of prompt expansionary measures.

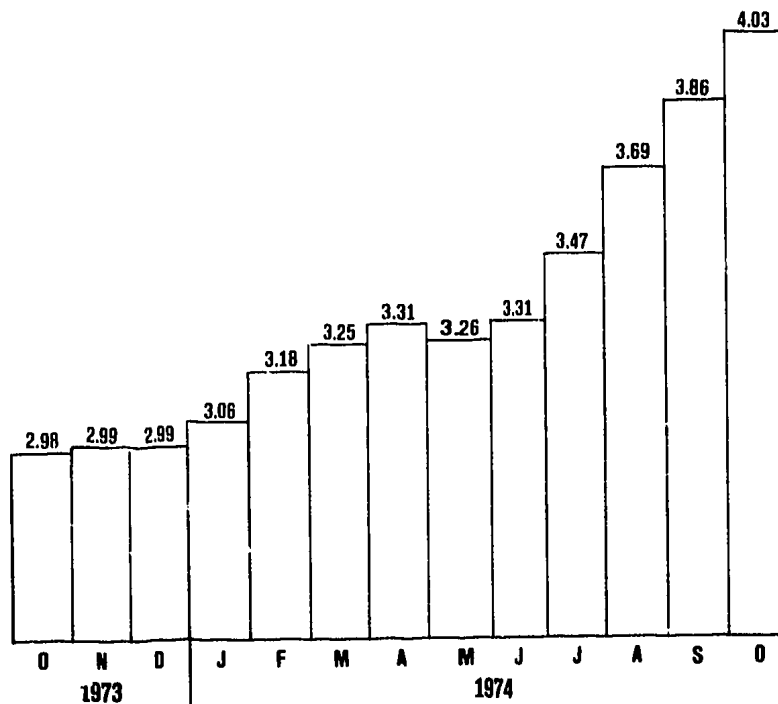
Unemployment has risen most sharply this year in West Germany -- from 1.6% of the work force to 3.7%. Unemployment rates also have grown appreciably in France, Italy, and the United Kingdom.

	Percent of Labor Force (Seasonally Adjusted)		
	Oct 1973	Oct 1974	Oct 1975 (Recent OECD Projection)
Canada	5.6	5.4	6.5
France	1.8	2.6	3.5
Italy	3.0	3.8	5.0
Japan	1.1	1.3	2.0
United Kingdom	2.3	2.7	4.5
West Germany	1.5	3.7	4.5

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Total Unemployment in Six Developed Countries¹ (Seasonally Adjusted)

(Millions)

¹ Including Canada, France, Italy, Japan, the United Kingdom, and West Germany.

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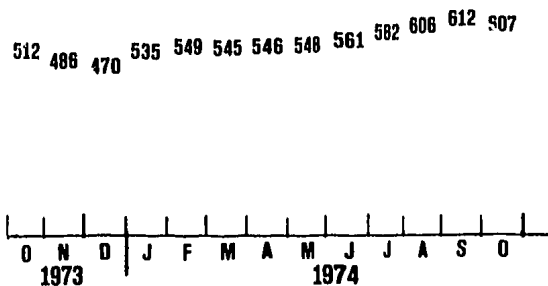
Disguised unemployment also has risen dramatically. The number of workers on short-time has doubled in Britain and Italy, nearly tripled in France, and quadrupled in West Germany. In Japan, business has reduced the normal work week and cut overtime by 25%.

Three countries already are moving to cushion the impact of growing unemployment.

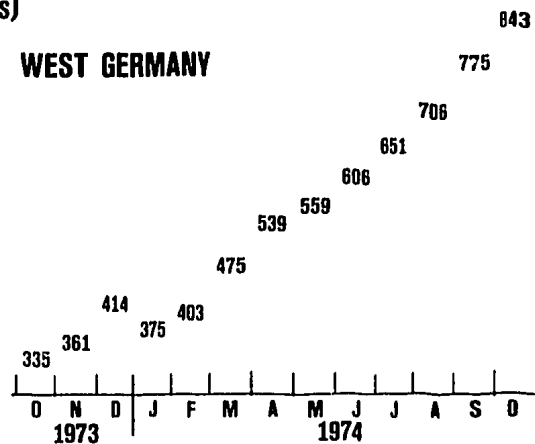
- In France, effective 1 January, workers laid off because of slack business will receive unemployment compensation nearly equal to their normal take-home pay for up to a year.

Unemployment (Seasonally Adjusted) (Thousands)

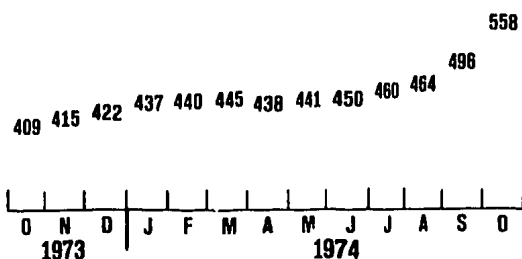
UNITED KINGDOM



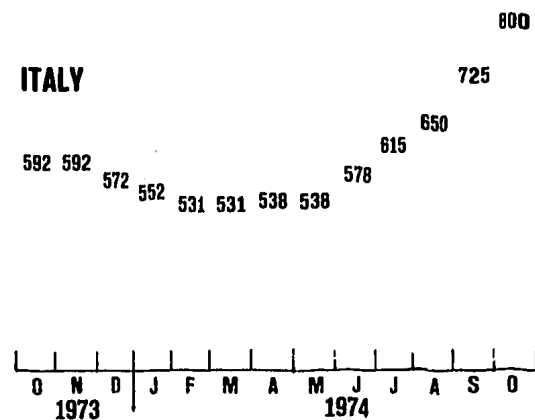
WEST GERMANY



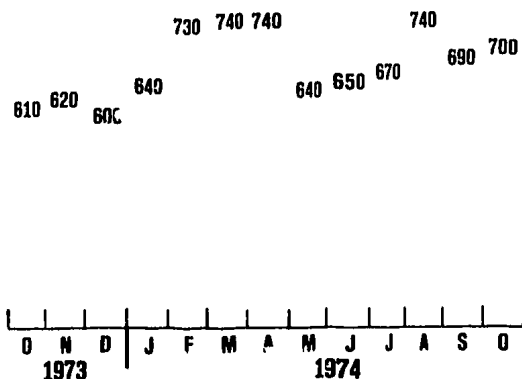
FRANCE



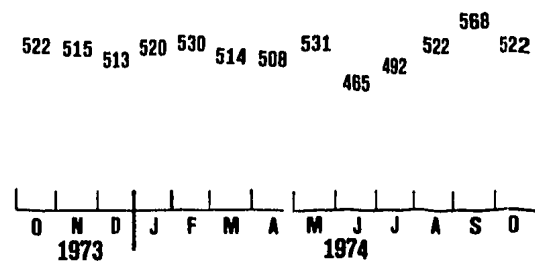
ITALY



JAPAN



CANADA



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- West Germany is increasing unemployment compensation from 62.5% to 68% of net earnings and probably will raise payments to workers on short-time.
- Japan is considering an expansion of the unemployment compensation scheme, which now provides workers with 60% of their former pay for a maximum of six months.

If output stagnates in the main developed countries next year, as is likely under current policy guidelines, perhaps another million people will be laid off.

Given the political power of organized labor, unemployment compensation programs no doubt will be sweetened. Because business firms would have to bear much of the increased cost, further inflationary pressure and business failures might follow

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WORLD STEEL INDUSTRY: A Waning Boom

Free World steel consumption is likely to decline slightly in 1975 instead of growing appreciably, as forecast by the International Iron and Steel Institute. The easing in the market after three tight years probably will induce steel companies to cut their current high profit margins enough to absorb further increases in production costs. Slackening demand abroad will stimulate foreign interest in the US market.

Free World steel output is expected to reach 500 million tons in 1974, 27% more than in 1971 but only 2% more than last year. Despite the current economic downturn in developed nations, demand for steel has remained high because of the backlog of orders built up before midyear and continued strong investment in petroleum and in the LDCs. Shortages of coal and scrap are the main factors keeping output from expanding more rapidly in 1974.

Although steel producers will enter 1975 with substantial orders on hand, new orders are starting to decline because of

- reduced capital spending in the developed nations;
- declining growth of capital outlays in the non-OPEC LDCs, which are plagued by balance-of-payments problems;

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- swollen inventories of finished steel products in Japan, second largest Free World producer; and
- a worldwide collapse in steel demand by such heavy users as the automobile, construction, shipbuilding, and appliance industries.

Japan currently has about 5 million tons of spare steelmaking capacity. Numerous European plants also are operating below capacity, partly as a result of labor and raw material difficulties. Even with the expected 30% cut in their scheduled investment outlays in 1975, EC steel producers will add several million tons to capacity during the year. Japan, committed to a \$2 billion investment program next year, could add as much as 3 million tons to capacity.

At the same time, consumption of steel will decline if the worldwide recession continues. In the United Kingdom, where investment prospects are gloomy, steel consumption is expected to fall by 15% next year. As inventories are rebuilt to normal levels elsewhere, steel demand will drop further.

The excess of productive capacity over sales will bring downward pressure on prices despite higher costs. Most foreign producers are expected to push exports, thus becoming even more price-conscious. Both European and Japanese steelmakers probably will look to the US market to absorb much of the slack. Even if they shave prices to obtain competitiveness in the US market, their cost advantage will not be nearly so pronounced as it was prior to dollar devaluation; thus, US steel imports are likely to remain well below the 1971 level.

EC and Japan: New Orders for Steel

Thousand Tons		
1974	EC of 6 ¹	Japan ²
Jan	8,941	5,240
Feb	8,549	4,905
Mar	9,305	4,907
Apr	8,156	4,895
May	11,522	4,744
Jun	8,370	4,508
Jul	7,535	4,639
Aug	6,585	4,471
Sep	6,496

1. Orders for rolled steel.

2. Domestic orders for all types of steel.

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WORLD FERTILIZER SITUATION IMPROVING

The tight world fertilizer situation shows signs of easing. We estimate that world production of chemical fertilizer will increase by 8% in 1974, compared with an average annual increase of 5% in 1969-73.

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Worldwide use of chemical fertilizers will climb by about 6.5% in 1974, exceeding average annual gains of more than 5% in 1969-73. India, Pakistan, Sri Lanka, and Indonesia -- previously expected by many to face cuts in fertilizer supply -- have increased application by 5% to 20% in 1974. Responding to high agricultural prices, farmers in the United States and Canada have managed similar increases.

Recent Market Trends

During 1973 and the first half of 1974, prices of fertilizer skyrocketed as worldwide need for more food and increased crop acreage led to rapidly rising demand. A tight situation in the supply of raw materials such as natural gas, naphtha, and phosphate rock also contributed. Last July, some types of nitrogen and phosphate fertilizers were selling for four times the January 1973 level. Since mid-1974, however, prices of potassium fertilizer have stabilized, and prices of nitrogen and phosphate fertilizer have eased from midsummer peaks. In November, urea and diammonium phosphate were selling for \$330 per ton, compared with \$425 during June and July.

The easing of fertilizer prices stems from

- consumer resistance to high prices,
- increased supply of fertilizers from East European and Arab producers,
- less panic buying,
- decline in freight rates, and
- Japan's price concessions to long-established customers.

Outlook for 1975

Production (and consumption) of chemical fertilizer will increase by 6% in 1975 -- lower than in the previous year but still a rapid rate. Major increases in output are expected in the United States, Canada, Eastern Europe, and China. Because of high government priority and somewhat lower prices, we expect that the financially strapped LDCs will be able to obtain their share of the increased output.

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THE YUGOSLAV ECONOMY: LIVING DANGEROUSLY

Rising world prices and the economic slowdown in the West have magnified Yugoslavia's chronic inflation and balance-of-payments difficulties. Two weeks ago the government belatedly announced an austerity program for 1975. If Tito passes from the scene before these problems are brought under control, his successors will be hard pressed to enforce sacrifices on recalcitrant regional and economic factions.

Record Trade Deficit

Heavy dependence on high-priced Western raw materials is heading the economy toward a record trade deficit of more than \$3 billion in 1974. Imports climbed 74% during the first nine months compared with a year earlier, owing largely to an additional outlay of \$400 million for oil. Meanwhile, exports lagged far behind because (1) a 21% increase in export prices was outstripped by a 61% increase in import prices; (2) beef sales declined about \$100 million as a result of EC meat import restrictions; and (3) export markets shrank because of the Western economic downturn. For January-September, Yugoslavia's global trade deficit was already \$2.7 billion, with the hard currency portion nearly \$2.5 billion.

The trade deficit normally is offset in large part by earnings from remittances of 900,000 workers abroad and from tourism. In 1972 and 1973 these earnings exceeded hard currency exports. In 1974, however, their growth has been weakened by the economic slowdown in Western Europe and the consequent decline of about 75,000 Yugoslav workers abroad. As a result, the current account deficit was \$650 million for January-August 1974 alone, surpassing the record of \$472 million for all of 1971.

The Yugoslavs have financed the current account deficit, as well as their repayments on medium- and long-term debt, by a combination of credits from suppliers, loans, and drawdowns of reserves. Debt service in 1974 on an estimated \$4.3 billion hard currency debt may well exceed \$1 billion. Having already borrowed heavily in the Eurodollar market, the Yugoslavs are reportedly finding fewer lenders and stiffer terms. Hard currency reserves dropped from \$1.5 billion in December 1973 to \$1.3 billion in September 1974 - an amount equal to only three months of hard currency imports. In November 1974, Dzemal Bijedic, President of the Federal Executive Council, stated that the total current account deficit and debt service in 1975 would have to be covered by new foreign loans.

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Yugoslavia: Foreign Trade, Remittances, and Tourism

	Million US \$			
	1972	1973	1973	1974
			Jan-Sep	
Total trade				
Exports	2,237	2,853	1,996	2,805
Imports	3,233	4,511	3,162	5,509
Balance	-996	-1,658	-1,166	-2,704
Hard currency trade				
Exports	1,381	1,895	1,345	1,807
Imports	2,343	3,350	2,379	4,258
Balance	-962	-1,455	-1,034	-2,451
			Jan-Aug	
Remittances ¹	964	1,398	903	1,061
Tourism ¹	462	630	372	414

1. Inflows only.

Domestic Inflation

The cost-of-living index is expected to climb 25%-30% for 1974 as a whole, compared with 20% in 1973. Real incomes rose nearly 8% during January-August compared with the same period last year as workers were able to beat inflation by forcing huge wage increases. Upward pressure on prices has been generated not only by rising labor costs but also by rising prices for imports.

Policy Reaction

The regime apparently failed to recognize the magnitude of the trade and inflation problems during the first half of 1974. Import restrictions were even reduced in June in keeping with the long-term goal of liberalizing trade. As the trade deficit and inflation worsened, Belgrade was forced to impose import restrictions on consumer goods at the end of July and a fuel conservation program in August. Nevertheless, the trade deficit has continued to grow rapidly.

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The regime finally announced more serious steps on 23 November, laying out an austerity program for 1975, including

- cutting the current account deficit \$100 million to \$200 million below the 1974 level,
- holding the real growth of imports to 4% over 1974 while increasing exports 10%, and
- preventing the rate of inflation from exceeding the 1974 figure.

Appraisal

Solution of current problems in Yugoslavia's economy – a unique blend of command-type socialism and market capitalism – will require stricter measures. Even the announced program is expected by the leadership to encounter strong resistance from the republics. Indeed, the Slovenes have already accused Belgrade of overstepping its constitutional authority and encroaching on the economic prerogatives of the republics.

Previous reluctance by the republics to carry out federal economic directives has been overcome only by the personal intervention of Tito. Tito stepped in when republic foot-dragging was threatening the basic economic reform of 1965. He also purged high-ranking officials in 1971-72, when Croatian economic nationalism imperiled the unity of the country. If Tito dies or becomes incapacitated during the current struggle for economic balance, his successors probably will lack the political muscle to administer strong medicine to the economy. Moreover, any signs of political instability would quickly dry up Yugoslavia's private borrowing in the West.

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Notes

EC Considers Sharp Rise in Farm Price Supports

The EC Commission has proposed a 10% average increase in agricultural support prices for the 1975/76 marketing year – the largest in the last five years. This increase, which would be tacked on to the 5% price hike implemented just last October, probably will be resisted by Bonn. Under the Commission's proposal,

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the largest price increases would apply to sugar beets, rye, and corn – 16%, 12%, and 11%, respectively. Since market prices for these three commodities now are well above support levels, higher supports would serve mainly as insurance against any sharp drop in prices. [REDACTED]

Benefits Increase for Bauxite Exporters

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Major aluminum companies are lowering resistance to bauxite producer demands in the wake of the November meeting of the International Bauxite Association. An amicable settlement between Surinam and an Alcoa subsidiary will increase Surinam's bauxite revenues more than 300%. Kaiser has agreed to Jamaican government participation in its subsidiary and reversion to the government of its bauxite reserves in exchange for tax concessions and guaranteed access to bauxite reserves. In a related development, Kingston and Mexico City moved closer to a cooperative effort to produce bauxite and alumina in Jamaica and aluminum in Mexico. [REDACTED]

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India and Pakistan Restore Trade Links

India and Pakistan agreed on 30 November to restore trade links, which have remained severed since 1965. The move should revive exports of Pakistani cotton and rice in return for Indian jute products, iron ore, and coal. The agreement could be a harbinger of the re-establishment of diplomatic relations, broken in 1971. [REDACTED]

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Venezuela: Nationalization of Iron Ore, Then Oil

Caracas intends to use the experience gained in the nationalization of its US-owned iron ore industry as a guide in the nationalization next year of the much more important and complex petroleum industry. Nationalization of the iron ore properties is scheduled to begin 1 January. The government plans a one-year transition, during which Caracas will control policymaking while the US subsidiaries continue to operate the mines. The government, recognizing the need for foreign technical and management assistance, wants to avoid any disruption in production. The companies probably will provide services to the government on a contract basis for at least two additional years and will have access to the ore until they can develop alternative sources. [REDACTED]

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Publication of Interest*

The Oil Establishments in Selected Producing Countries
(ER H 74-3, November 1974,)

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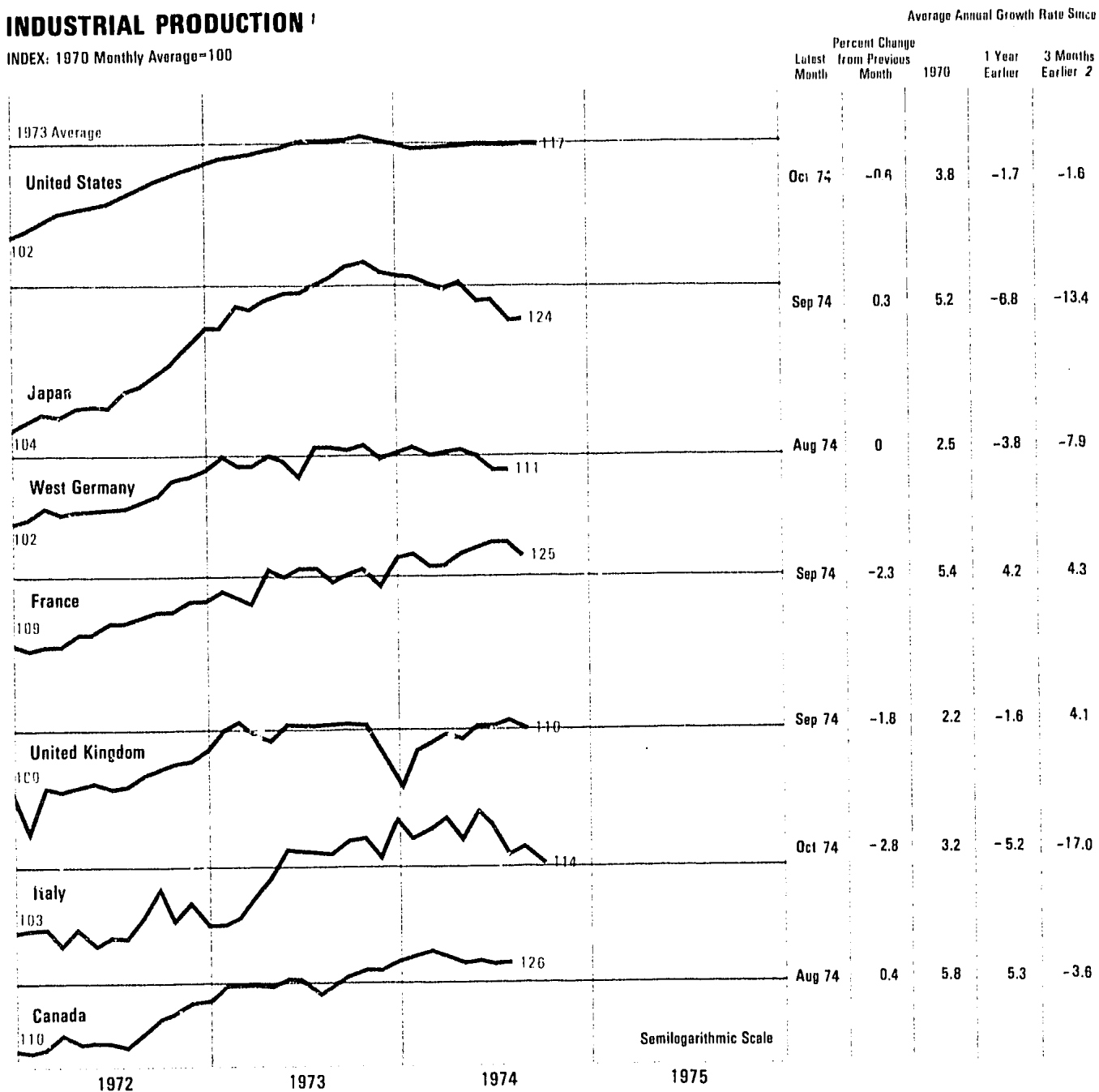
This handbook, a compilation of articles from *International Oil Developments*, presents information on the institutions and personalities involved in oil policymaking in the OPEC countries and in Canada, Mexico, and Norway.

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INDUSTRIAL PRODUCTION

INDEX: 1970 Monthly Average=100

**GNP**

Constant Market Prices

Average Annual Growth Rate Since

	Latest Quarter	Percent Change from Previous Quarter	1970	1 Year Earlier	Previous Quarter
United States	74 III	-0.5	3.2	-2.2	-2.1
Japan	74 II	0.6	5.7	-3.3	2.4
West Germany	74 II	-0.7	3.1	1.1	-2.9
France	73 IV	1.7	5.8	6.0	7.0
United Kingdom	74 III	1.0	2.7	0.6	4.2
Italy	73 IV	1.9	3.7	5.3	7.7
Canada	74 II	0	5.7	4.9	0

RETAIL SALES

Constant Prices

Average Annual Growth Rate Since

	Latest Month	Percent Change from Previous Month	1970	1 Year Earlier	3 Months Earlier 2
United States	Oct 74	-1.3	2.1	-5.7	-4.7
Japan	Jun 74	1.7	1.8	-8.3	-5.8
West Germany	Jul 74	5.7	2.8	0	-7.0
France	Jun 74	-6.7	-0.8	-1.0	-8.9
United Kingdom	Jul 74	1.8	2.6	-0.9	-7.0
Italy	Apr 74	0.4	10.5	13.9	19.9
Canada	Jul 74	-0.6	1.7	-3.9	2.1

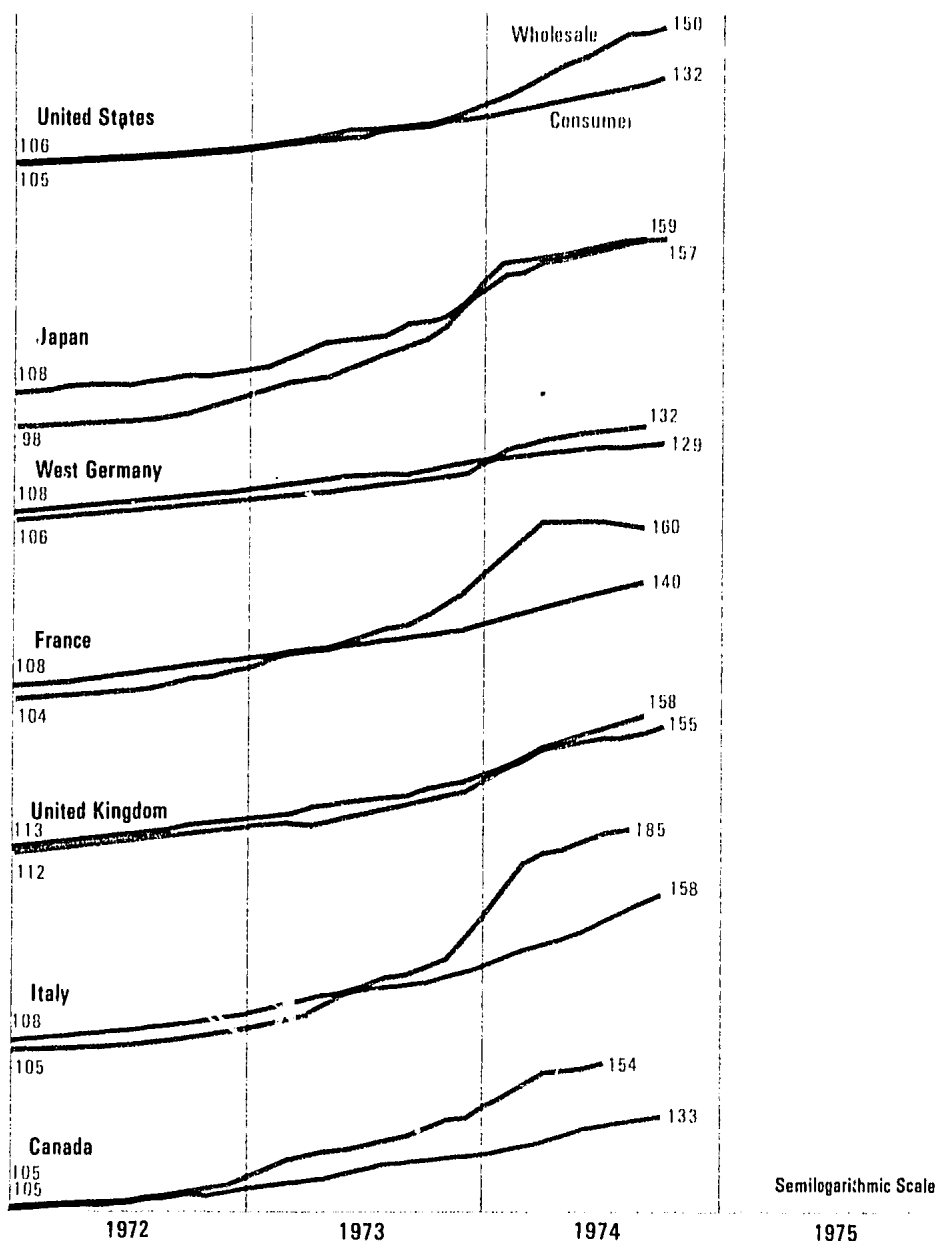
Office of Economic Research/CIA
4 December 1974

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Note: US data provided by US government agencies
Footnotes appear on page A-4.

DOMESTIC PRICES³

INDEX: 1970 Monthly Average=100



Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
		1970	1 Year Earlier	3 Months Earlier
Oct 74	1.2	9.9	28.2	19.0
Oct 74	0.9	6.6	12.2	13.9
Oct 74	0.4	11.0	28.7	6.6
Sep 74	1.5	11.7	23.8	19.1
Sep 74	0.2	6.8	14.6	6.9
Oct 74	0.5	6.1	7.1	4.1
Sep 74	-1.0	11.8	27.9	-7.1
Sep 74	1.1	8.3	14.7	13.3
Sep 74	1.5	11.5	25.7	19.5
Oct 74	2.0	10.7	17.1	13.4
Aug 74	0.5	16.1	45.9	23.5
Oct 74	2.1	11.2	25.7	33.9
Jul 74	2.0	11.2	24.6	12.2
Oct 74	0.9	6.8	11.6	10.4

MONEY SUPPLY¹

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier 2
United States	Oct 74	0.4	5.8	5.7	2.2
Japan	Jul 74	-0.2	17.5	13.8	20.2
West Germany	Aug 74	1.0	9.2	9.6	13.8
France	Jun 74	1.4	12.6	8.7	16.2
United Kingdom	Oct 74	1.5	8.5	5.3	8.5
Italy	Jan 74	1.1	20.6	20.7	17.1
Canada	Sep 74	-0.7	11.8	6.6	-6.1

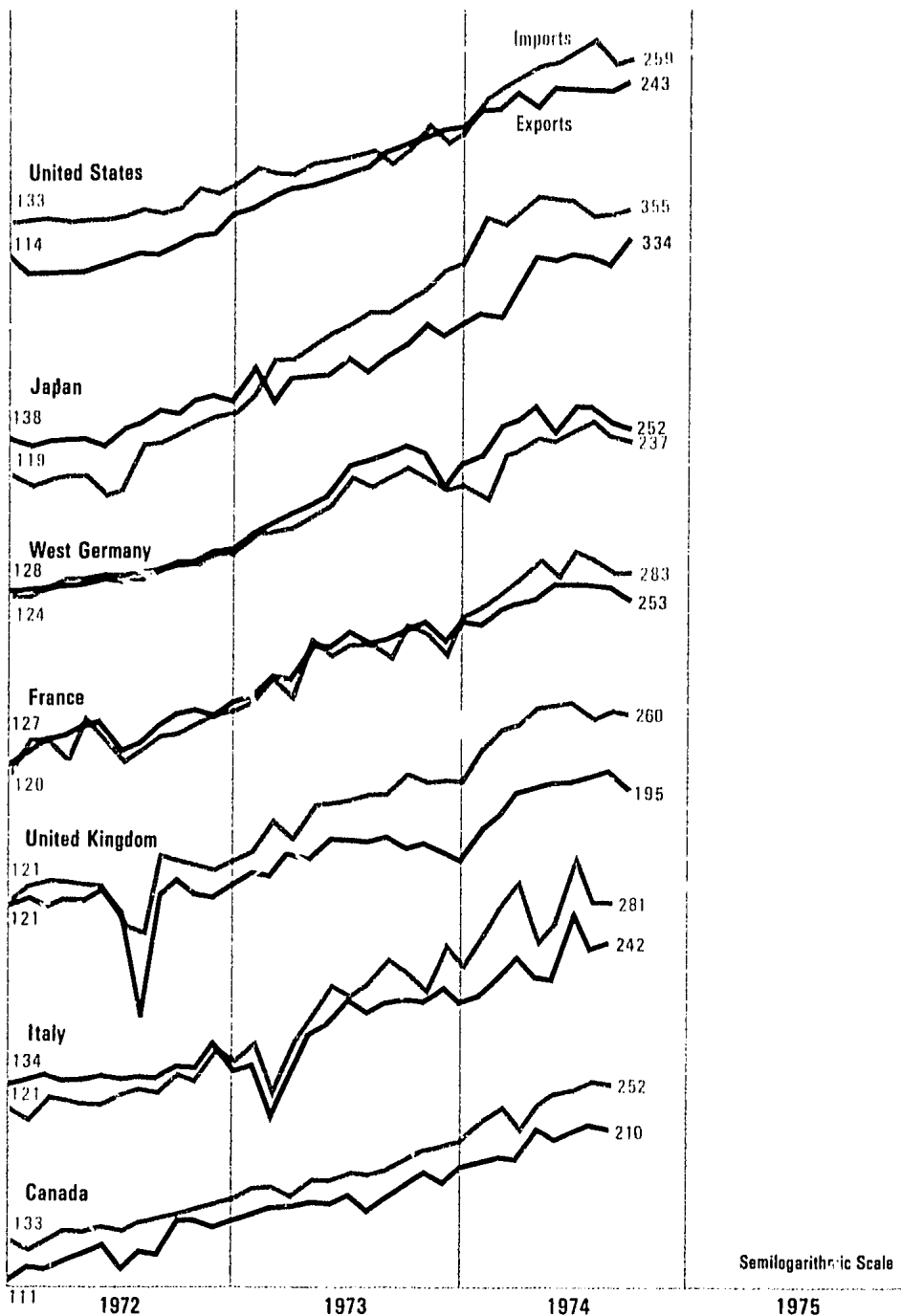
WAGES IN MANUFACTURING^{1,4}

	Latest Month	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier 2
United States	Sep 74	1.1	7.1	10.0	13.4
Japan	Aug 74	-2.1	22.8	39.7	59.8
West Germany	74 II	3.1	11.4	12.7	13.1
France	74 III	6.0	13.8	20.5	26.4
United Kingdom	Aug 74	6.4	14.1	15.6	31.4
Italy	Aug 74	3.0	17.9	20.7	25.7
Canada	Jun 74	1.4	9.6	12.8	17.3

4 December 1974

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INDEX: 1970 Monthly Average=100 (l.o.b./l.o.b.)



Latest Month Cumulative (Million US \$)

	Million US \$	1974	1973	Change
Oct 74	8,665 8,635	80,240 82,557	57,012 56,460	40.7% 46.2%
Balance	30	-2,317	552	-2,869
Oct 74	5,276 4,437	44,275 43,897	29,169 25,799	51.8% 70.2%
Balance	839	378	3,370	-2,993
Oct 74	7,195 5,550	73,150 53,563	55,688 42,345	31.4% 26.5%
Balance	1,644	19,587	13,343	6,244
Oct 74	3,800 4,225	38,106 41,625	30,215 29,043	26.1% 43.3%
Balance	-425	-3,517	1,172	-4,689
Oct 74	3,081 4,105	29,693 39,709	23,219 27,622	27.9% 43.8%
Balance	-1,023	-10,016	-4,403	-5,613
Sep 74	2,664 3,138	21,924 27,188	15,774 17,616	39.0% 56.0%
Balance	-474	-5,564	-1,843	-3,721
Sep 74	2,808 2,799	24,037 23,389	18,445 16,863	30.3% 38.7%
Balance	9	648	1,582	-934

BASIC BALANCE⁵

Current and Long-Term-Capital Transactions

	Latest Period	Million US \$	1974	1973	Change
United States ¹	74 II	-2,740	-954	-2,164	1,210
Japan	Oct 74	405	-8,664	-6,978	-1,686
West Germany	Sep 74	503	5,058	6,774	-1,716
France	73 IV	-475	N.A.	-2,472	N.A.
United Kingdom	74 II	-1,297	-2,951	-888	-2,063
Italy	74 I	-2,037	-2,037	-872	-1,164
Canada	74 II	-445	-613	-6	-608

4 December 1974

OFFICIAL RESERVES

	Latest Month	Billion US \$	Jun 1970	1 Year Earlier	3 Months Earlier
United States	Oct 74	15.9	14.5	14.4	14.9
Japan	Oct 74	13.5	4.1	14.0	13.2
West Germany	Oct 74	33.7	8.8	35.0	33.9
France	Oct 74	9.0	4.4	10.1	8.3
United Kingdom	Oct 74	7.5	2.8	6.8	6.7
Italy	Sep 74	7.6	4.7	6.5	5.3
Canada	Oct 74	5.8	4.3	5.8	6.0

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MONEY-MARKET RATES

	Representative Rates	Latest Date	Percent Rate of Interest		
			1 Year Earlier	3 Months Earlier	1 Month Earlier
United States	Dealer-placed finance paper	Nov 27	8.93	8.00	11.94
Japan	Call money	Nov 15	12.50	9.38	13.75
West Germany	Interbank loans (3 months)	Nov 27	8.58	13.08	9.53
France	Call money	Nov 29	12.00	11.25	13.38
United Kingdom	Sterling interbank loans (3 months)	Nov 27	12.16	15.33	12.45
Canada	Finance paper	Nov 27	10.28	9.00	11.88
Eurodollars	Three-month deposits	Nov 27	10.29	10.43	13.74

EXPORT PRICES

National Currency	Average Annual Growth Rate Since				
	Latest Month	Percent Change from Previous Month	1970	1 Year Earlier	3 Months Earlier
United States	Oct 74	1.0	12.9	26.5	33.9
Japan	Oct 74	-0.1	10.7	36.8	14.9
West Germany	Sep 74	-0.2	5.7	20.9	22.5
France	Jun 74	3.3	11.1	28.5	42.5
United Kingdom	Jul 74	1.6	13.6	33.2	29.6
Italy	Jul 74	3.9	15.4	42.8	43.4
Canada	Jul 74	1.7	12.4	38.3	13.5

IMPORT PRICES

National Currency	Average Annual Growth Rate Since				
	Latest Month	Percent Change from Previous Month	1970	1 Year Earlier	3 Months Earlier
United States	Oct 74	0.5	19.4	49.7	18.9
Japan	Oct 74	0.8	16.7	72.9	12.0
West Germany	Sep 74	-1.1	7.0	32.6	9.9
France	Jun 74	0	15.6	61.5	37.0
United Kingdom	Jul 74	0.5	21.3	55.3	18.3
Italy	Jul 74	-2.4	24.8	68.6	7.3
Canada	Jul 74	1.8	11.6	32.5	39.7

EXPORT PRICES

US \$	Average Annual Growth Rate Since				
	Latest Month	Percent Change from Previous Month	1970	1 Year Earlier	3 Months Earlier
United States	Oct 74	1.0	12.9	26.5	33.9
Japan	Oct 74	-0.1	15.6	21.5	-4.1
West Germany	Sep 74	-1.7	14.0	10.0	0.3
France	Jun 74	2.5	14.7	11.5	33.5
United Kingdom	Jul 74	1.5	13.5	25.1	29.5
Italy	Jul 74	4.8	14.6	28.6	35.7
Canada	Jul 74	0.7	14.3	41.5	9.4

EXCHANGE RATES

Spot Rate As of 29 Nov 74	Percent Change from				
	US \$ Per Unit	Dec 66	18 Dec 71	19 Mar 73	22 Nov 74
Japan (yen)	0.0033	20.70	2.56	-12.44	-0.12
West Germany (Deutsche mark)	0.4044	60.66	30.33	14.21	0.30
France (franc)	0.2156	6.79	9.50	-2.18	0.94
United Kingdom (pound sterling)	2.3250	-16.68	-10.77	-5.53	0.22
Italy (lira)	0.0015	-6.00	-12.50	-14.97	0.53
Canada (dollar)	1.0124	9.76	1.46	1.47	0.06

TRADE-WEIGHTED EXCHANGE RATES⁶

As of 29 Nov 74

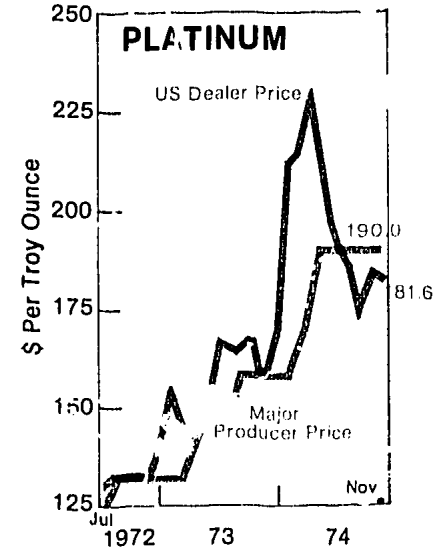
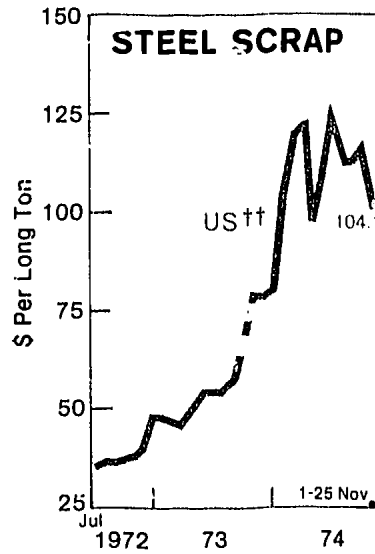
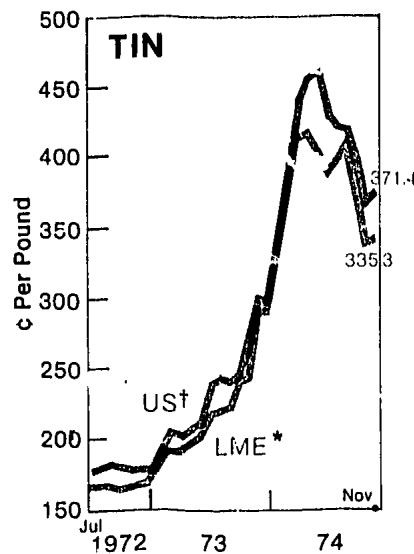
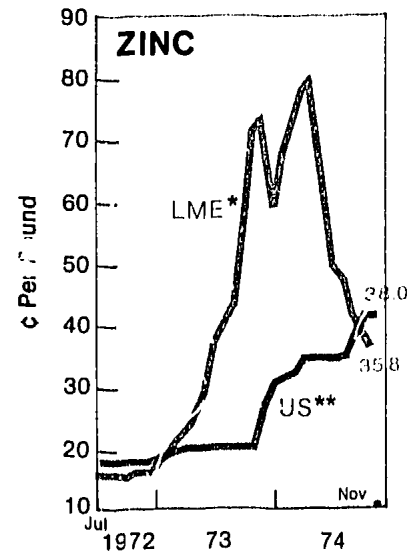
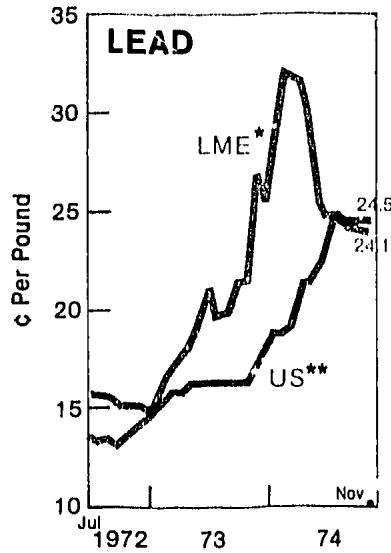
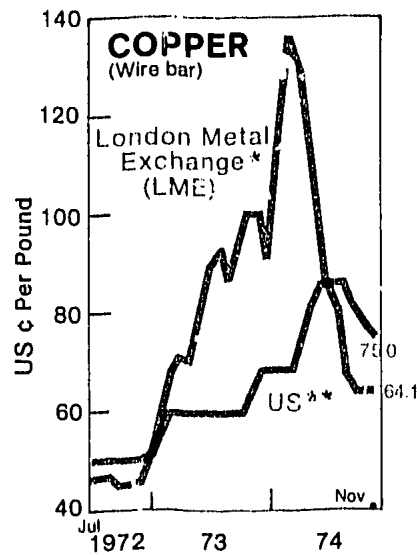
	Percent Change from			
	Dec 66	18 Dec 71	19 Mar 73	22 Nov 74
United States	-15.23	-5.90	0.70	-0.20
Japan	11.80	-1.71	-13.52	-0.26
West Germany	33.70	16.53	11.44	-0.24
France	-17.55	-4.12	-6.58	0.49
United Kingdom	-37.69	-23.28	-8.76	-0.15
Italy	-30.58	-29.14	-22.14	0.09
Canada	7.10	0.52	2.17	0

FOOTNOTES FOR WEEKLY INDICATORS

- Seasonally adjusted.
- Average for latest 3 months compared with average for previous 3 months.
- Wholesale price indexes cover industrial goods.
- Hourly earnings for the United States, Japan, and Canada; hourly wage rates for others. West German and French data are for the beginning of the quarter.
- Converted to US dollars at the current market rates of exchange.
- Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange-rate variations among the major currencies.

METAL PRICES

(Monthly Average Price)

**COMMODITIES****Cash Prices**

	2 Dec	Week Ago	Oct 74 Average	Nov 73 Average
Copper-LME (c per pound)	62.0	61.4	63.4	101.1
Copper-US (c per pound)	72.6	72.6	77.5	59.5
Lead-LME (c per pound)	24.2	23.8	24.2	21.7
Lead-US (c per pound)	24.5	24.5	24.5	16.5
Zinc-LME (c per pound)	34.8	35.1	37.4	72.3
Zinc-US (c per pound)	38.0	38.0	38.0	20.4
Tin-LME (c per pound)	333.3	327.9	333.4	250.0
Tin-US (c per pound)	366.0	367.0	365.0	262.4
Steel scrap (\$ per long ton)	N.A.	93.5	119.0	79.3
Platinum-US dealer (\$ per troy ounce)	179.5	171.5	183.1	158.9
Platinum-US producer (\$ per troy ounce)	190.0	190.0	190.0	158.0

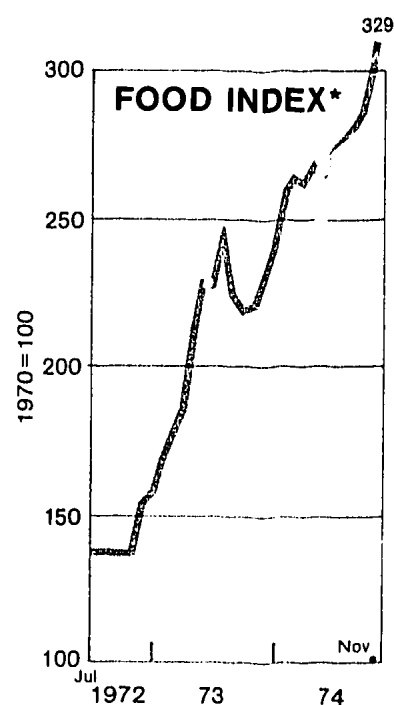
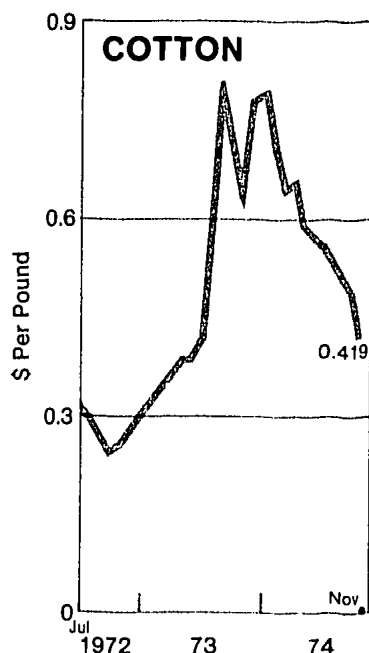
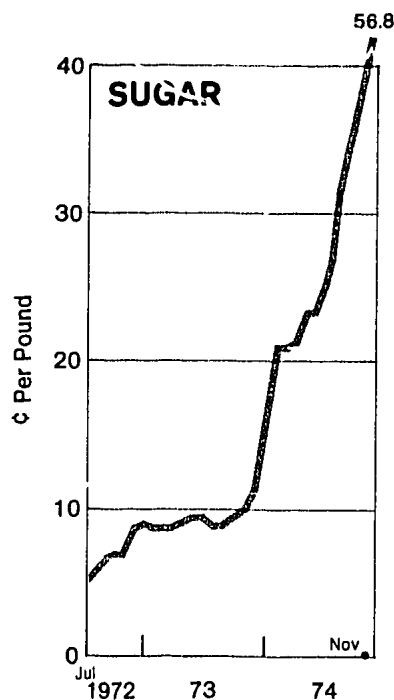
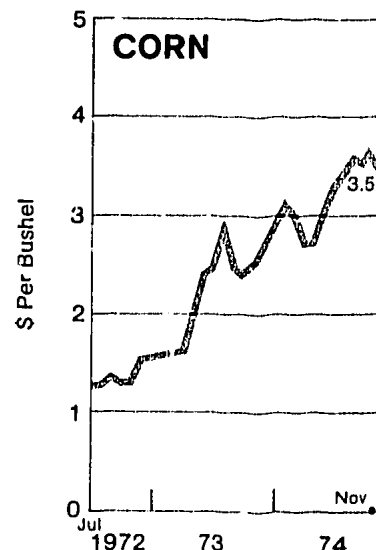
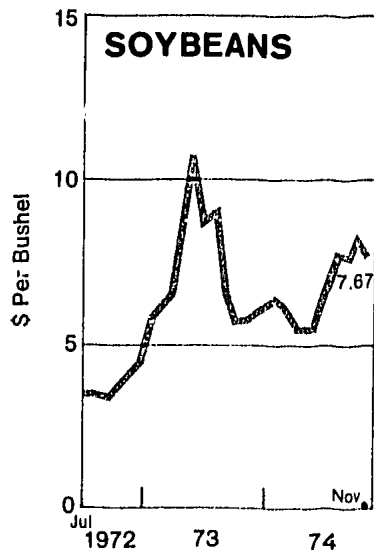
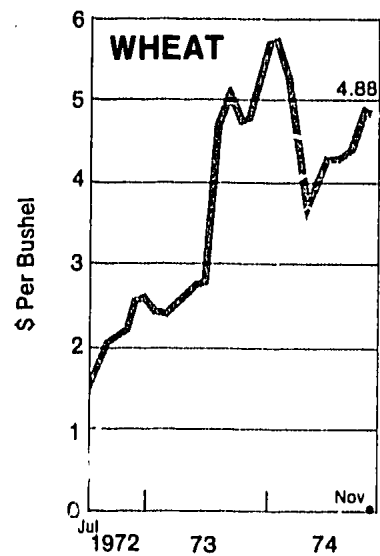
*Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

**Producers' price, covers most primary metals sold in the United States.

† Quoted on New York market. †† Composite price for Chicago, Philadelphia, and Pittsburgh.

AGRICULTURAL PRICES

(Monthly Average Price)



* This is a compiled index by the *Economist* for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

COMMODITIES**Cash Prices**

	2 Dec	Week Ago	Oct 74 Average	Nov 73 Average
Wheat-Kansas City #2 Hard Winter (\$ per bushel)	4.81	4.75	4.96	4.78
Corn-Chicago #2 Yellow (\$ per bushel)	3.57	3.36	3.71	2.50
Soybeans-Chicago #1 Yellow (\$ per bushel)	7.37	6.93	8.36	5.65
Sugar-World Raw New York #11 (¢ per pound)	50.50	59.00	39.60	10.20
Cotton-Memphis 1 ¹ / ₁₆ (\$ per pound)	0.4131	0.4095	0.4640	0.6310

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